



EP125 - Tax Time Made Simple: Your 2025 Canadian Filing Guide

Keith:

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Andrea:

Thank you, Keith. I'm really happy to be here.

Keith:

We're talking about income tax today: how to prepare for your income tax returns, what to do, and how to work with professionals. Andrea, tell us a little bit about your background and what you do at our firm.

Andrea:

Sure, Keith. I've been here for about a year and a half now. This is our second tax season. Right now we're working as a team with clients during tax season. We have Edmunds as our supervisor, and we're really in the full swing of things here at TMA during tax season. A little bit about my background: I had my own tax preparation business prior to joining the team here at TMA, and I've been excited about learning, growing my knowledge, and contributing to the team.

Keith:

You did a podcast last year with me for our clients and our listeners. It was an excellent episode. I recall you provided a framework for how a person should think about going through tax season. That podcast provided a lot of people with clarity. We got really good feedback from listeners, and I'm excited about today's show. Today we're going to discuss the key dates that everybody needs to know, review any changes that have come through with tax laws relative to last year, discuss how to organize yourself, what kinds of slips you should be looking for that get mailed to you, and what kinds of information you need to go and get. And finally, you're going to offer some great tips for our listeners on specific types of situations. So we have a busy show today. Let's jump right in. Andrea, let's talk about key dates.

Andrea:

Okay. For key dates, we have a bit of an easier time this year than we did last year. Last year had a complicated start. There was some uncertainty regarding the increase in the inclusion rate for the capital gains exemption, so we had some extensions in the filing deadlines. We also had delays with Canada Post. None of that this year. It's back to business as usual. The first date to mention is that the tax filing deadline for 2026 is Thursday, April 30th.



Keith:

Perfect. So that's right back to the way it used to be. Nice and easy. April 30th.

Andrea:

April 30th. No weekends get in the way of that, so it really is that midnight deadline.

Keith:

Midnight, April 30th.

Andrea:

Midnight, April 30th. For self-employed individuals, it's June 15th, although just a reminder that if you do have taxes owing, you have to pay by April 30th. You can file later, but not pay later.

Keith:

Okay, perfect.

Andrea:

The deadline to contribute to RRSPs has passed. It was March 2nd. It's always within the first 60 days of the year, so that's something to keep in mind for next tax season. Just make sure you get your contributions in on time. Individuals were able to start filing as of late February. February 23rd was when those first online filings could happen. So now we're mid-March and everything is underway.

Keith:

Perfect. It's a lot smoother of a start versus last year. I remember even the tax software had not been updated. There were delays because of the uncertainty around the capital gains rules.

Andrea:

That's right. The tax filing software was not ready to go. People were getting their slips later than normal, so it took longer to get everything together in order to be able to file.

Keith:

Okay. So when are most slips ready? And by slips, I mean income slips, whether you work and receive a T4, or whether you receive pension income. When are those slips typically ready, and when are the investment slips typically ready?

Andrea:

Most slips are ready by the end of February, so by the beginning of March most people have all their slips in hand. There are some exceptions. For instance, trust slips can sometimes come at the end of March or even the beginning of April, because those trust returns are only due by the end of March.

Keith:

And some investments come in the form of trust slips, so sometimes you can't complete your tax return until those arrive.

Andrea:



Exactly.

Keith:

Okay, great. Those are the most important things about the dates for this year. Let's now move into key changes. We've listed about four or five major changes relative to last year's tax return. Let's start with the change in the income tax rate for the first tax bracket.

Andrea:

That's right. The federal tax rate was reduced to 14%. It had initially been 15%. This was effective as of July of last year. So the average rate for last year will be 14.5%, and income earned in 2026 will be the first full year that we get to take advantage of that 14% tax rate.

Keith:

So the federal tax rate comes down from 15% to 14%, and that first bracket applies to what amount of income?

Andrea:

It applies to income of about \$57,000 or less.

Keith:

And what are the implications for credits within this zone?

Andrea:

That's a good question, because even though the tax rates for the first bracket have come down, most non-refundable tax credits are actually calculated using the lowest tax bracket rate, which is now 14%. So that decrease in the tax rate would actually make those credits slightly less valuable. The good news is that the government has introduced a top-up credit that will maintain the value of some of those credits, effective until 2030.

Keith:

Okay, perfect. Let's cover a few other new items. There's the Canada Groceries and Essentials Benefit. What exactly is that, Andrea?

Andrea:

That's essentially an enhancement of the GST, or Goods and Services Tax Credit. It builds upon the credit that individuals were previously eligible for. There are two enhancements. The first is a top-up payment: individuals who are eligible for this credit will receive an amount this year, paid before June. The benefit will also be increased by about 25% over the next five years.

Keith:

And that's a benefit that low-income individuals and students will typically receive.

Andrea:

That's right.

Keith:



Perfect. The next major change is that the list of disability supports that are now deductible has been expanded.

Andrea:

That's right. The disability supports deduction is essentially a deduction for individuals who need special help or equipment in order to work or go to school. To be eligible, you do have to qualify for the disability tax credit. There are some new devices you will be able to deduct, such as ergonomic work chairs and bed positioning devices that you previously were not able to claim.

Keith:

Perfect. There's also a new benefit called the Canada Disability Benefit. Who is that for? It's a brand new benefit, correct?

Andrea:

That's a brand new benefit. It started in the summer of last year, but during our podcast last year we didn't have a chance to discuss it. It's a benefit for individuals aged 18 to 64 who qualify for the disability tax credit. It's up to \$200 a month, which is quite significant, and the total amount is based on family net income.

Keith:

And that's a brand new benefit. Perfect. One of the more notable changes is that individuals with short-term rentals, such as Airbnb properties, if they are not compliant with local regulations, can no longer claim any expense deductions on that property. That's a significant change because in cottage country all across Canada, individuals have been buying small properties and sometimes municipalities don't allow short-term rentals, but prior to this law they were still claiming deductions.

Andrea:

That's right. If you own a short-term rental and are earning rental income but are not in compliance with either municipal or provincial laws, you are not able to claim any of the expenses associated with owning and operating that rental.

Keith:

That's a pretty significant change if you're a property owner.

Andrea:

It is. So you really want to make sure that your licensing and permit requirements are all up to date so that you can claim those expenses.

Keith:

Okay, great. Another change is that the digital news subscription credit has ended.

Andrea:

That's right. You used to be able to claim a small non-refundable credit for subscriptions to digital publications such as The Globe and Mail and the Financial Post. However, that credit has now ended.



Keith:

So that's gone. And the last change is that the underused housing tax has been scrapped. What's that all about, Andrea?

Andrea:

It's no longer in effect. It had been a 1% tax charged on certain vacant homes in Canada owned by non-residents. It was in place for a few years but has now been eliminated.

Keith:

This law was initially introduced to discourage individuals from buying property and leaving it vacant, effectively taxing them on that. And that tax has now been removed.

Andrea:

Yes, correct.

Keith:

So listeners, thank you for your patience. These have been the significant changes from last year. The big one that really made the headlines was the reduction of income tax on the first tax bracket.

Andrea:

That's right. There weren't any other enormous changes, so this really summarizes everything that was important and noteworthy.

Keith:

Okay. Let's go to the next section and talk about how individuals should put together their information. You've broken it down into two main sections: what information comes to you, and what information you need to go and get. Let's start with the information that individuals will receive by Canada Post.

Andrea:

Yes, and these days a lot of these slips are also coming electronically through online portals or by email. The slips that will make their way to you include T4s, Relevés 1s, pension income slips, investment slips, and interest and dividend income slips.

Keith:

Okay, so all information relating to your income typically comes to you.

Andrea:

That's right. You also need your notice of assessment, and if you live in Quebec, you'll also need your Quebec notice of assessment, so you'll have two. Those normally arrive by mail or through your online portal.

Keith:

And that usually arrives the previous year. You finish your income tax return and then a few months later you receive your notice of assessment. You need to keep those and hand them in



to your tax preparer. What does a tax preparer find on the notice of assessment that's important?

Andrea:

There's a lot of relevant information on the notice of assessment. You'll find your RRSP contribution room. If you have an FHSA, you'll find your contribution room for that account as well. If you've taken advantage of the Home Buyers' Plan, you'll have information regarding the repayment amounts required for your RRSP. You also have capital loss and tuition credit carryforward amounts, as well as alternative minimum tax carryforward amounts.

Keith:

So it's a pretty important document that essentially lists your standing across all these different types of account trackers.

Andrea:

That's right.

Keith:

What's the last major set of documents you might receive?

Andrea:

Something really important that you generally receive at the beginning of the year is your installment payment summary. That's for individuals who generally have a larger tax owing throughout the year. They're asked to make installment payments, and this is a summary you would receive by mail or through your online account, outlining everything you've already paid to the CRA, and if you're in Quebec, to Revenu Québec.

Keith:

That's a pretty important summary. What types of individuals would have installment summaries, and which ones wouldn't?

Andrea:

Generally, if you have high investment income, you would have a larger tax owing and therefore be asked to make installment payments, and you would receive an installment summary. If you're self-employed, that's another reason you might be asked to make installment payments.

Keith:

Typically, if you always have your taxes deducted at source, there's no need for installment payments unless you have a significant portfolio generating additional income, at which point the government wants their money throughout the year rather than waiting until the following April.

Andrea:

Exactly.

Keith:



So these documents are critical and need to be collected to prepare your income tax. Okay. So to summarize this section: all your income slips, your notices of assessment, and your installment payment summaries. Now let's go to the next section, which is what slips do you have to go and chase?

Andrea:

Sure.

Keith:

I remember this well. Years ago my accountant would always remind me that I needed to go and get certain information. So what do you need to run after?

Andrea:

So the first category is childcare expenses. These are receipts, or if you're in Quebec, the Relevé 24, for any childcare-related expenses. This includes daycares, camps, nannies or babysitters, as well as school lunch programs and after-school programs. If you're a parent with a child enrolled in certain sports or arts activities such as hockey, rugby, music lessons, or painting classes, there is the children's activities refundable tax credit in Quebec that you can claim, so you'll need those receipts.

Keith:

What else do you need to go and get?

Andrea:

For students in post-secondary education, they need to log into their student portals and retrieve their tuition slips. That's the T2202A, and in Quebec, the Relevé 8. These are really important. They're the only amounts we can claim in terms of post-secondary education. I often receive receipts from office supply stores for school materials that parents think they can use to deduct school supply expenses. Unfortunately, we cannot use those. It's really just those two slips.

Keith:

Okay, perfect.

Andrea:

The next item is RRSP contribution slips. These can come in different ways. Sometimes you'll receive them by mail, sometimes through your online banking, and sometimes you can get them in person at the bank when making a contribution. It really varies, but we've included it in this section so that you're mindful. If you haven't received it, make sure to go and get it. That is, of course, a very important deduction.

Keith:

What's next?

Andrea:

Medical expenses. Throughout the year, if you have prescriptions or have visited the optometrist or dentist, these are all important expenses to include in your tax return, so we'll need those



receipts. If you have private insurance, we also ask that you bring in your insurance company summaries to make sure we're only claiming amounts that haven't been covered by insurance.

Andrea:

There are also donation receipts. If you make a donation to a registered charity, there is a credit associated with that. GoFundMe donations are not from registered charities, so unfortunately those cannot be claimed.

Keith:

And we have one final section, which is an important one.

Andrea:

Yes. This is home office expenses. For people who have an office in their home, there are some expenses they're able to claim. There are three different worker categories, and depending on which one you fall into, you can claim expenses for different things. The first is the employee, someone who works for a company but has an office at home. The second is the commission-earning employee. And the third is the self-employed individual who has an office at home.

Keith:

And with each category you have certain abilities to deduct expenses, with some categories allowing slightly more than others. How does the calculation work? For example, if I have a 200-square-foot office in a 2,000-square-foot home?

Andrea:

That would be about 10% of your home. So it would be approximately 10% of whatever expenses you're eligible to claim. Depending on which type of worker you are, this can include things like hydro, home internet, rent, property taxes, and mortgage interest payments.

Keith:

Perfect. So to summarize this section: if you have kids, you need to collect some slips and receipts. Young adults in post-secondary education can access tuition credits. Anyone with medical expenses can claim deductions or credits. If you make charitable donations, there are credits available. And if you have a home office, there's some paperwork to complete. Let's now switch gears and go into special situations. You've broken it down into four or five categories. Let's start with category number one: university students.

Andrea:

As a student, you might be quite focused on your studies and working part-time. Your income might not be very high, and you might think it's not worthwhile to file an income tax return. However, there are real advantages to doing so. You'll want to retrieve those tuition slips from your student portal, the T2202 and the Relevé 8. The tuition credits you receive can be transferred to a parent who is supporting you through your studies, or you can carry them forward for yourself to use when your income is higher. Another reason to file is that there are benefits available to low-income earners, such as the GST/HST credit and the Solidarity Tax Credit. If you don't file, those payments don't come to you.



Keith:

And I would assume that if you don't file for several years in a row, you're also forgoing the opportunity to build RRSP contribution room for when you start earning a higher income.

Andrea:

That's right. Even if you're earning a very small income, it's worthwhile to file so that you can start accumulating RRSP contribution room.

Keith:

Perfect. Let's talk about the next category: new homeowners. What are the main things to address for a brand new homeowner?

Andrea:

For a brand new homeowner, there are two really great credits worth mentioning. The first is a federal credit called the Home Buyers' Amount. This is a \$10,000 credit worth approximately \$1,500, and it can be claimed in the tax year in which you purchased your first home.

Keith:

So that's only for first-time homebuyers. That amount roughly covers what you'd pay in notary or legal closing costs. Is there anything equivalent on the Quebec side?

Andrea:

On the Quebec side, there's the Quebec Home Buyers' Tax Credit, which is also quite valuable at up to about \$1,400. If there are multiple owners of a new home, you have to split that credit. So if you're a couple purchasing your first home together, the credit can be split between the two of you.

Keith:

Perfect. Bottom line: if you buy a home for the first time, make sure you apply for these credits. Okay, next section: families with young children. How does having a first child change things?

Andrea:

We get a lot of questions from young couples who have just had their first baby asking how their tax return changes. It's quite straightforward. We simply add your child as a dependent in your tax return. We'll need information like their full name, birth date, and SIN number if you have one already. By adding them as a dependent, we're able to claim things like childcare expenses and medical expenses, and you also become eligible for the Canada Child Benefit and the Quebec Family Allowance.

Keith:

Perfect. Make sure you note this if you're having your first child. Let's go to the next section: single parents. Is there anything important that a single parent needs to know?

Andrea:



There's actually a wonderful credit for single parents called the Eligible Dependent Credit. It's similar to the spousal credit but for people without a spouse. It's quite a large credit and can reduce your taxes owing by over \$2,000.

Keith:

Probably the biggest category now is seniors. We see this a lot with both our existing senior clients and with clients whose parents are seniors. Let's walk through this carefully because there are some really important considerations. What is available, and what should seniors be aware of?

Andrea:

Right away, if you're 65 or older, you may be eligible for the age amount credit. This is both a federal and Quebec credit, and it depends on your income level. If you're in the lower income bracket, you may be eligible for this credit.

Keith:

Okay. What's next?

Andrea:

There's an interesting one: the tax credit for home support services. This is a refundable tax credit for Quebec residents. If you're 70 years old or older and you pay for services to help you stay comfortably in your home, such as housekeeping, meal preparation, snow removal, or nursing services, this is a very generous credit at 37% of eligible expenses.

Keith:

So you take all your eligible expenses and receive a 37% refundable credit? Meaning you get money back even if you don't have taxes owing?

Andrea:

Exactly. You submit your expenses, claim 37%, and receive money back even if you have no tax owing because it's refundable. So you really want to hold on to those receipts and keep them in your tax file throughout the year.

Keith:

What else is available for seniors?

Andrea:

There's the Home Accessibility Tax Credit. This is a federal tax credit that helps seniors over 65 pay for renovations and equipment that make their homes safer and easier to live in. You can claim up to \$20,000 in expenses, and it covers things like stairlifts, wheelchair ramps, and walk-in tubs and showers.

Keith:

So if you're doing any kind of renovation to help you live more comfortably and you're 65 or older, keep the receipts. That's a tax credit, correct?



Andrea:

You get a credit. So let your accountant know, and keep your receipts and invoices, including proof of purchase and installation.

Keith:

So that covers not just equipment but the labour costs of installation as well. And I believe Quebec has something called an independent living tax credit, which is a similar concept but for those 70 and over.

Andrea:

Exactly. It's a similar credit for people 70 years and older. It focuses mainly on equipment rather than home renovations. Interestingly, on the Quebec side, it's a refundable tax credit, which makes it quite valuable as well.

Keith:

It strikes me that there's a range of support mechanisms in place across the country to help seniors cover the extra expenses of living at home, or even in a senior's residence. There's also an interesting one related to municipal taxes that's only available in Quebec.

Andrea:

That's the Quebec grant for seniors, designed to help offset municipal tax increases. Seniors who have been in their home for several years, typically over 15 years, and are over 65 may have seen their property value increase significantly over the years. As property values rise, so do municipal tax bills. This grant is meant to help offset that increased expense.

Keith:

Property valuations have increased dramatically across the country, and this is one way of helping seniors stay in their homes by providing a bit of extra support to cover the higher property taxes.

Andrea:

Seniors are often on fixed incomes, and while rising property values are positive in one sense, the associated increase in expenses can be stressful.

Keith:

So that's the senior section. Let's finish with a subcategory: seniors living in a senior residence or long-term care facility. What should they be aware of?

Andrea:

Seniors living in a residence, whether independent or long-term care, may also have valuable credits to investigate. I'd recommend providing your lease or a letter of tax to your accountant, which you can obtain from the residence. That will give us the details needed to determine what may qualify as a medical expense or what could be used for the Quebec tax credit for home support services.

Keith:



Each residence is different. Some provide medical assistance and some don't. The ones that do will provide a report to the individual that can be used for additional credits on their tax return.

Andrea:

It's a very valuable credit, and it depends significantly on the level of care required. For a more dependent senior needing assistance with daily needs and personal care, the credit amount can be considerably higher.

Keith:

It can be substantial. I recall a situation from about 15 years ago where a client in a long-term care facility with significant medical assistance had not claimed this deduction for five years. Our team identified it, filed amended returns going back five years, and the total tax refund was approximately \$30,000 to \$40,000. That really illustrates how important it is to investigate this deduction.

Andrea:

You definitely want to let your accountant know if you or a parent is living in a residence.

Keith:

The last topic we want to cover in these special situations is income splitting.

Andrea:

Income splitting can be very beneficial for seniors. For seniors who receive eligible pension income, you can allocate up to 50% to your spouse or common-law partner on your tax returns. This can move income out of a higher tax bracket and into a lower one, keeping more money in the pockets of the couple.

Keith:

I remember when this came in. Looking at tax returns before and after pension splitting, the savings were significant. So pensions can be split, RIFs can be split, annuities can be split, and defined benefit pensions can be split. Can OAS be split?

Andrea:

Old Age Security cannot be split, but there is still an advantage when it comes to OAS. If splitting your other pension income brings you into a lower income bracket, you may be able to avoid the OAS clawback, which is a recovery tax that some individuals have to pay if their income is too high while receiving OAS.

Keith:

So pension splitting not only reduces total income tax payable, it can also reduce the possibility of an OAS clawback. How about the Canada Pension Plan or Quebec Pension Plan? Can that be split?

Andrea:

It can be shared, but it's not split in the same way as other pension income. It requires a formal request through Service Canada or Retraite Québec, and it's done at the source.



Keith:

So it's not handled at tax return time. It requires advance planning and separate paperwork.

Andrea:

Exactly. It's not something that happens during tax season. It really requires advance planning.

Keith:

Andrea, thank you so much. We're about to wrap up. This has been a thorough and detailed episode. We do a lot of podcasts on The Empowered Investor, but this one is unique because we're just about a month away from the tax filing deadline. It's an important time for all Canadians, and it can sometimes feel daunting.

Andrea:

A lot of people think of it as an annual chore they can't wait to get over with.

Keith:

It is. When we survey our clients across all the services we provide, including portfolio management, financial planning, retirement planning, estate planning, and income tax preparation, they often say income tax is their favourite service because we simply take care of it. But it is a source of stress for many Canadians. You just have to get through it.

Andrea:

And we're here to help.

Keith:

So please, give us your closing thoughts. What guidance do you have for our listeners?

Andrea:

Remember, good tax planning doesn't just happen at tax time. It happens all year long. Stay informed, understand what credits and deductions you're eligible for, and stay organized throughout the year. Talk to a professional to help get the most out of your tax return.

Keith:

To me, the number one message is: stay on top of your affairs all year long.

Andrea:

It really does make a difference come tax time.

Keith:

Andrea, thank you so much for being on today's show. This has been a fantastic and detailed discussion. I learn something new every time we record together. You have a wonderful way of organizing your thoughts around tax. Thank you so much.

Andrea:

It's been a real pleasure, and I look forward to next year.

Keith:



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